

*Canada - Canadian Trade Relations,
Standing Committee on, 1947/48*

(1947-48)

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 1

TUESDAY, DECEMBER 16, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., I.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1947



ORDER OF REFERENCE

(*EXTRACT from the Minutes of the Proceedings of the Senate, 15 December, 1947.*)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,

Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. Euler, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dessureault	McLean
Beaubien	Duffus	Moraud
(Montarville)	Euler	Nicol
Bishop	Gouin	Paterson
Blais	Haig	Pirie
Buchanan	Howard	Riley
Burchill	Hushion	Robertson
Calder	Jones	Robicheau
Campbell	Kinley	Turgeon
Daigle	Macdonald (Cardigan)	Vaillancourt
Davies	MacLennan	White—(34).
Dennis	McKeen	

MINUTES OF PROCEEDINGS

TUESDAY, December 16, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, Chairman; Ballantyne, Bishop, Blais, Burchill, Davies, Duffus, Haig, Howard, Kinley, MacLennan, McKeen, McLean, Nicol, Paterson, Robertson, Turgeon and White, 18.

Mr. J. F. MacNeill, K.C., Law Clerk and Parliamentary Counsel, the Senate, was in attendance.

The official reporters of the Senate were in attendance.

Pursuant to the order of reference of 15th December, 1947, the Committee proceeded to the consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. B. McKinnon, Chairman, Tariff Board, was heard in explanation of the manner in which the negotiations were conducted at Geneva, and was questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was heard in explanation of the preparation of the Draft Charter; gave a summary of the details of the Charter, and was questioned.

On motion of the Honourable Senator Howard, it was—

Resolved to report recommending that authority be granted for the printing of 1,000 copies in English and 200 copies in French of the evidence adduced before the Committee on the said subject matter, and that Rule 100 be suspended insofar as it relates to the said printing.

At 1 p.m. the Committee adjourned until tomorrow, Wednesday, 17th December, 1947, at 10.30 a.m.

ATTEST:

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

TUESDAY, December 16, 1947.

Pursuant to the order of reference of December 15, 1947, the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m., and proceeded to the consideration of the subject-matter of the General Agreement on tariffs and trade negotiated at the second session of the Preparatory Committee of the United Nations Conference on trade and employment, held at Geneva from April 10 to October 30, 1947.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Honourable senators, the committee is called, as you know, for the purpose of considering the subject-matter of the resolution in connection with the Geneva trade agreements. In order to assist us, we have with us today Mr. McKinnon, the Chairman of the Tariff Board, and Mr. Deutsch of the Department of Finance and Mr. Kemp of the Department of Trade and Commerce—I am sorry that I do not know just what their official titles are in these departments. Since we are uninformed as to these trade agreements—at least, I know I am—I was going to suggest that possibly all we can do today is to hear from these gentlemen, who were Canadian representatives at the negotiations upon which the agreements made at Geneva were founded. Before they speak I believe the leader of the government in the Senate, Senator Robertson, might care to make a few remarks.

Hon. Mr. ROBERTSON: Mr. Chairman, there is just one remark that I should like to make at the outset. Mr. McKinnon spoke to me and suggested that owing to the delicate position which he held as a negotiator of the agreement on behalf of Canada, and which he might hold again in future negotiations, it is quite possible that some questions might be asked which he might feel it difficult to answer because of the risk of prejudicing his position in the future. I spoke to the Chairman about it and suggested that Mr. McKinnon would have to be the judge as to whether or not he should answer any particular question, and if it does happen that he has to decline to answer any question I am sure the committee will appreciate his point of view. It will be a matter for the good judgment of all.

The CHAIRMAN: Perhaps it might be well to let Mr. McKinnon proceed with his statement without interruption, and have questions at the conclusion of his remarks. However, that is a matter for the committee. What is the desire of the committee?

Hon. Mr. BALLANTYNE: Have questions at the conclusion of his remarks.

Hon. Mr. KINLEY: Let him tell his story first.

The CHAIRMAN: I do not think I shall be very strict about it if a question is interjected. What is your wish, Mr. McKinnon.

Mr. McKINNON: I have no prepared statement, Mr. Chairman, and whatever the committee wishes will suit me.

Hon. Mr. HAIG: Mr. Chairman, I want to register my dissent from the statement made by the leader of the government, Senator Robertson. What he suggested is the old policy that existed prior to the First World War, secret diplomacy. I do not think we should have any secret diplomacy at all. We

have nothing to hide, and there should be no secrecy about any negotiations that we have with the United States or with Russia or any other country. The sooner the world adopts the policy which a great many of us have advocated, open diplomacy, the better it will be for the world. I repeat that I want to register my protest against the leader's statement.

The CHAIRMAN: I doubt very much whether there will be any occasion for difference of opinion about this matter today. If it should happen that Mr. McKinnon feels that the answer to any question submitted by any member of the committee might be prejudicial to our national interests, we will leave it to Mr. McKinnon as to whether he will answer or not.

Hon. Mr. HAIG: That is fair enough.

Mr. HECTOR B. MCKINNON, Chairman of the Tariff Board: Mr. Chairman and honourable members, as I said a moment ago, I have no prepared statement. I think the move to have the agreement examined by a committee is a very sensible one, because it will undoubtedly lead to questions and answers, which is the quickest and clearest way of bringing out the salient facts regarding what is unquestionably a very complicated technical document.

Mr. Chairman, it might help the members of the committee if I said a few words about the manner in which the negotiations were conducted at Geneva.

The members of this committee will know that the Canadian delegation to Geneva was headed by the Honourable Dana Wilgress, Minister to Switzerland; but as Mr. Wilgress was made chairman of one of the important full-time committees of the conference he was necessarily removed almost entirely from the day to day routine work of our own delegation.

Our work fell into two divisions: First, the discussions regarding a charter, of which Mr. Deutsch of the Department of Finance took charge. It was generally agreed at Geneva, I believe, that probably only one other delegate was as thoroughly informed about the details of the charter as was Mr. Deutsch. When we come to discuss the charter itself, Mr. Deutsch has come prepared to answer all questions.

The second part of our work was the negotiating of the various trade agreements between Canada and other countries. It happened because of experience and age that I was put in charge of the negotiating team. Mr. Kemp, who is here this morning from the Department of Trade and Commerce, was the one responsible for asking for concessions in other countries, and for attempting to get all the concessions he could. In turn, it fell to me to recommend to the government how far we could go by way of paying for the concessions in respect to our own tariffs.

The draft charter that emerged from Geneva has now gone to a conference at Havana. There was a total of 23 nations at Geneva discussing the charter and negotiating trade agreements, but at Havana there are some 55 or 60 nations discussing it. It is possible that at Havana the charter may be so changed, emasculated or watered down as not to be very satisfactory to the original group at Geneva. In this case, as Mr. Deutsch will explain, we need not be greatly concerned. Although that situation would be lamentable, it would not necessarily be a calamity.

Because the important sections of the charter, all those sections necessary to the functioning of a code, have been carried into what has been called a General Agreement, that General Agreement may carry on among the countries who wish it carried on, even if there should be no charter at all. I wish to make that clear, Mr. Chairman, because there may be some confusion in the minds of some as to the difference between the General Agreement and the charter.

Hon. Mr. HAIG: Mr. Chairman, may I interrupt? I think Mr. McKinnon ought to explain the relationship between the agreement and the charter. I honestly do not know what he means by the charter.

The CHAIRMAN: I admit that I am in the same awkward position.

Mr. McKINNON: I am prepared to do that, but I think it would be better if Mr. Deutsch explained the charter and the Agreement.

Hon. Mr. HAIG: I am interested in the relationship between the two; I do not want to know what their terms are.

Mr. McKINNON: The Agreement is based on the charter in this way: the charter is a very elaborate document involving provisions respecting commercial policy in all its aspects, employment, economic development, use of quantitative restrictions, subsidies and so on; but there were extracted from the charter in its draft form a sufficient number of provisions to stand by themselves in case a charter should not finally emerge. The nations assembled at Geneva agreed upon those excerpts from the charter, if I may describe them in that way, which have become what is now known as the General Agreement.

Hon. Mr. HAIG: Thank you, I understand that explanation.

Mr. McKINNON: There are twenty tariff schedules to this General Agreement, numbered one to twenty. The Canadian schedule is number five. Most people will never see all the schedules, because they are most voluminous involving something in the neighbourhood of 45,000 tariff items, filling four quite large volumes printed by the United Nations. The one which is of chief interest to Canada from the point of view of Canadian tariffs is Schedule No. 5, which has been printed separately and distributed, I believe, Mr. Chairman, to all members of the committee.

Mr. Chairman, we are in the hands of the committee, and would like to know whether you would prefer to hear first about the general text of the Agreement, the concessions secured for Canada, or the reductions proposed in Canada tariff.

The CHAIRMAN: Will you explain first the text of the agreement?

Mr. McKINNON: Mr. Deutsch will do that.

The CHAIRMAN: What is the wish of the committee?

Hon. Mr. CRERAR: I would suggest, Mr. Chairman, that it might be interesting to the committee if Mr. McKinnon would in a general way give us some idea of the difficulties that had to be met in Geneva. In the little study I have been able to give this subject I have been impressed by the appearance of several escape clauses. I note, for instance, that the agreement is for a period of three years. Now, the thought naturally arises in one's mind that there might not be permanence to this, that there was a general feeling among the delegates at Geneva that this was a sort of trial and error business; and that led me further to wonder if there had been a lack of appreciation of the importance of the basic principles which underlie international trade. Now, while it may not be strictly germane to an examination of these particular schedules, I think it would be interesting to the committee if, out of his long experience, Mr. McKinnon could give us in a general way some of the difficulties that were encountered, and what the prospects are of a renewal or continuation after the three-year period is over.

Hon. Mr. BALLANTYNE: Would it not be of most interest if we heard first the Canadian changes, if that suits you?

The CHAIRMAN: It is just a question whether you want to get a description of the general picture, which it was in my mind that Mr. McKinnon or Mr. Deutsch could give us, or whether you want to proceed immediately to the particulars of the tariff changes.

Hon. Mr. BALLANTYNE: You are right.

The CHAIRMAN: All right. Mr. Deutsch?

Hon. Mr. CRERAR: I would like to have an expression of opinion from Mr. McKinnon as to whether he came from Geneva hopeful or discouraged.

The CHAIRMAN: I think Mr. McKinnon feels that Mr. Deutsch could speak with more knowledge about that than he can. I think Mr. McKinnon's particular job was the matter of making concessions to these other countries and, perhaps, declaring as to whether we could agree to give concessions. A general picture, I think, could be given by Mr. Deutsch. Is that correct?

Mr. McKINNON: I am quite prepared to answer Senator Crerar's question. As regards the three years, that is the normal term, Senator Crerar, for commercial agreements into which Canada has entered in the past. As a general rule the fixed term is three years, subject to continuance thereafter unless denounced by any contracting party. As a general rule the provision is for six months' notice of denunciation. The agreement negotiated with the United States, for example, in 1938 was still running on when we went to Geneva in 1947: it was a three-year agreement with a six months' clause. Therefore it may follow—it does not follow necessarily—that the agreement will be terminable in three years: it may run on indefinitely. On the other hand it may prove that some members dislike its provisions and give six months' notice of denunciation.

As regards the general spirit prevailing at Geneva on our departure, about which you asked, I would say this. We began, I think, with a pretty general feeling that there would be a successful conclusion; but by the time we had been there three or four months, and it appeared that nothing was coming out of it in a very concrete form, the feeling of optimism gave way definitely to one of pessimism; and certainly some delegates felt that there would emerge neither a charter nor a series of trade agreements. But as so often happens, Mr. Chairman, that corner was turned, and in the last six weeks, in particular, the atmosphere changed completely. We found that some countries that had been either lackadaisical or indifferent about concluding an agreement with Canada were urging us to have more hearings, to conclude matters; and, as I say, the atmosphere changed completely. We were able to conclude negotiations successfully with some fourteen or fifteen countries. Twenty-three countries—that is, all at Geneva—signed the Final Act, including the General Agreement, and eight trading countries signed the Protocol of Provisional Application, which was merely an undertaking that, subject to later ratification by their constitutional bodies, they would bring it into effect provisionally on the 1st of January.

The CHAIRMAN: Was that pessimism the result of a feeling on the part of some of the countries that they did not wish to make tariff concessions, that is, remove the obstacles to trade which I understand was one of the chief principals of the gathering? Was that the feeling? Did the feeling of not wishing to make any concessions change?

Mr. McKINNON: No, I do not think it was that so much, Mr. Chairman,—and this raises a point that might be embarrassing, in a sense, if given too great prominence in the press. At first there was a great feeling of disappointment because the original attitude of the United States in respect to a concession on wool was discouraging and disheartening; but a little later the United States came through with an offer on wool and while the Australians deemed it was not all they would have liked or indeed expected it to be, on the whole they appeared to regard it as pretty good having in mind the difficulties the United States faced in making it, and that was one of the positive factors, I think you will agree Mr. Deutsch, that helped us to regain an atmosphere of optimism. There were aspects of the charter discussions that indicated a feeling of frustration for a while, but they were finally cleared up—unless they are changed again at Havana.

Hon. Mr. KINLEY: How much finality is there to what was done at Geneva? I understand Havana can change the charter but not the schedules.

Mr. McKINNON: That is right. They may change the charter or drop it entirely but they cannot change the agreement or the schedules thereto.

The CHAIRMAN: Does anyone wish to ask any further questions of Mr. McKinnon before we hear from Mr. Deutsch?

Mr. J. J. DEUTSCH, Director, Economic Relations Division, Department of Finance: Mr. Chairman and honourable senators, Mr. McKinnon has already explained that there were two things done at Geneva. One was the negotiation of the detailed tariff agreements between the twenty-three separate countries that were present at Geneva. The second thing that was done was the preparation of what is called the draft charter for a world trade organization. Honourable senators will recall that the United States, I believe it was first in 1945, prepared a document that they called a draft charter for a world trade organization. This document was prepared by the United States originally as a result of discussions they had with the United Kingdom and with Canada at various times, but the document in the form in which it was presented was actually drawn up by United States officials. The United States was anxious to present this document for consideration by the nations of the world and in that connection the Economic and Social Council appointed eighteen countries to constitute themselves a preparatory committee to examine these proposals and to prepare a draft charter to be considered later by a world conference. This preparatory committee met in October and November of 1946 in London, England. At that meeting of the preparatory committee these eighteen countries went over the United States proposals in detail and as the result of some six weeks' discussion they prepared what was called this draft charter, based on the American proposals. The proposals, in the course of discussion, were altered and amended to meet the views of other countries. That draft was further examined at meetings in New York during January and February of this year and further changes and improvements were made. The results of the New York meeting were then put on the agenda for the meetings at Geneva which began in April of this year. Here again there were eighteen nations together with some five other countries including Ceylon, Burma and Southern Rhodesia. This draft was placed on the agenda at Geneva and throughout the summer it was gone over in great detail by these eighteen countries, plus the other countries that are part of the British Commonwealth and Empire. But the purpose of this discussion at Geneva so far as the charter was concerned was still to prepare a draft for submission to a world conference. The conference now meeting at Havana is the world conference for which this preparatory committee prepared the draft. All the trading countries of the world, all the United Nations and some others that are not members of the United Nations, were asked to attend this world conference at Geneva, and the draft charter is now under discussion there. If it is adopted, the results of this conference will lead to the establishment of a world trade organization.

That is, very briefly, the mechanics of the discussions that have taken place. The draft charter itself is a very detailed document, and it is undoubtedly the most comprehensive attempt that has ever been made to codify the rules of international trade. As you remember, efforts were made in the past at the achievement of something like this, but they have never succeeded. The last one of any importance was made at the conference of 1927 called by the League of Nations; but it did not succeed. The discussions of this particular draft charter so far have produced more results than anything else that has ever been attempted along this line.

I have already said that the charter itself is an extremely lengthy and detailed document. It would take a very long time to read over all these details

at this meeting, so I think perhaps at present it would be better to give a summary picture, Mr. Chairman, and then we could come back and look at the details. Each chapter by itself would take an hour or several hours to explain. The charter has provisions covering the conduct of the nations on a very large number of matters which affect international trade. In the first place there is a section called Employment and Economic Activity. It was argued by a number of countries that the level of international trade is dependent upon not only the height of tariffs, but also very much dependent on the general state of business activity. If employment is high and demand is high, international trade will be high. If employment is low, international trade will be low. Therefore it was argued that if we are going to have prosperous and expanding world trade we must also have a high level of business activity and of employment, and that in this field of business activity and employment there was room for co-operation between nations. While it was agreed that basically the governmental responsibility, in so far as there is any responsibility on governments, for the level of business activity was basically a national matter, there was room for international co-operation. Therefore there is placed in this charter an objective to which all the countries are asked to subscribe, namely, to maintain within their own borders as high a level of economic activity as possible. That is just an objective, and the countries have subscribed to it. Furthermore, it was also felt that whenever difficulties arise about the level of business activity in any country, whenever a depression sets in anywhere, something can be accomplished if the government of the country concerned would consult with other governments and try to work out ways and means of minimizing the effects of the depression. This charter gives the organization authority to initiate such consultations whenever difficulties arise because of decline in business activity and the beginning of a depression. Furthermore, it was felt that a really serious depression in one of the large industrial countries, such as United States or Great Britain, would have immediate and serious effects upon other countries and it would become very difficult for most countries to carry out the obligations and general aims of this charter. Therefore the onset of a depression in a major country was regarded as a very important thing from the standpoint of international economic co-operation, and if such a depression arose the governments of the world would have to use all their ingenuity and spirit of co-operation to prevent the harmful effects of the depression from breaking down all the efforts that were made for international economic co-operation. The hope is that this organization, which will be at least a forum for the discussion of the problem, will help to prevent the kind of spiral effects which occurred in the 30's as one country after another went down and all countries tended to become more and more self-sufficient, with the result that there was progressive reduction in international trade.

The CHAIRMAN: Did Russia at any time take part in these proceedings?

Mr. DEUTSCH: No, Mr. Chairman. Russia was named as one of the eighteen countries to prepare this draft charter, but Russia never attended any of the meetings.

Hon. Mr. TURGEON: Is Russia represented at Havana now?

Mr. DEUTSCH: No, Senator. She was invited to be present but she did not turn up.

The charter has a second chapter, on what is called economic development. One of the difficulties in these discussions revolved around the different stages of economic development in the various countries of the world. We had at these meetings the United States and the United Kingdom, which of course are the most highly industrialized and highly developed countries in the world. We also had countries which are just beginning their economic development,

which have very little industry and are still largely dependent upon primary production. The latter group of countries were very anxious that they should not be asked to undertake obligations which would prevent or hinder them in their efforts to become industrialized. This represents one of the outstanding problems in the discussions.

The charter is generally aimed at the removal of the barriers to international trade, but the countries which are anxious to promote their own industrialization, or at least some of them, felt that in order to achieve that end they must impose some barriers to imports. They felt that they could promote the development of their own industries by keeping imports out or at least under control.

A difficult problem was presented by these two points of view: the countries which wanted the maximum removal of barriers to trade, and those nations who wanted to use some of the barriers for the development of their own industries.

Hon. Mr. DAVIES: Were there many countries who wanted to keep the barriers up?

Mr. DEUTSCH: I should say, Mr. Senator, they wanted the right to use barriers which are designed to promote the development of their own industry.

Hon. Mr. DAVIES: But were there many countries who wanted to keep the barriers up?

Mr. DEUTSCH: I would say, speaking of the world as a whole, that from a numerical standpoint the countries who wanted the barriers kept up for the development of industry exceed the other countries. That again was one of our difficulties. We found a greater number of countries concerned with the promotion of their own economic development in their territories than were concerned with the maximum removal of trade barriers.

Every nation represented, including the United States, recognized that the aspirations of these countries were legitimate. It was made plain to them that there was no intention on the part of the more highly industrialized countries to prevent development of what has been referred to as the under-developed countries. It was pointed out to them that their aspirations to become industrialized were perfectly legitimate. The only concern was that the methods used should not be harmful to world trade; the problem was to find rules and obligations to enable these countries to carry out a programme of development which would not destroy world trade. The charter contains provisions which endeavour to meet that problem.

It should be said that there was a great deal of disagreement on this particular phase of the discussions, and it resulted in a compromise. I do not propose to go into the details of that compromise, because it would take us too far afield. I wish merely to indicate the kind of problems that arose. I believe it is agreed by many countries, including the more highly industrialized, that the final compromise was acceptable.

Thirdly, there is in the charter a long section called "Commercial Policy". That section sets down in detail the rules which countries are to observe in connection with their external trade. Many of them are standard rules of trade agreements in the past; some of them are new, and had not been codified in the past. The rule regarding most favoured nation treatment is a standard clause in most trade agreements of the past. Briefly, it provides that each nation will give the same tariff treatment to all other nations who sign these agreements; they will not discriminate between one another. In other words, all countries signing these agreements will each get the same tariff treatment as the other members.

One exception to the most favoured nation treatment rule concerns the British preferences. Members of the committee will know that a part of the

negotiations at Geneva were directed towards the reduction of preferences. It was agreed beforehand, and as a result of discussion and understandings arrived at during the war years, that the members of the British Commonwealth would undertake negotiations with the United States and other countries, directed towards the reduction and elimination of preferences. Those negotiations did not envisage unilateral reductions of preferences. The preferences were to be reduced in return for adequate concessions and compensations from other countries. That was part of the tariff negotiations at Geneva, which Mr. McKinnon will discuss in detail later. The charter has provisions which place obligations on countries that have preferences, to negotiate those preferences in return for tariff cuts from other countries.

The charter further provides that whatever preferences remain after the negotiations will be regarded as an exception to the most favoured nation rule. Preferences may be granted only to the countries listed which are countries of the British Commonwealth, and those preferences do not automatically extend to any other countries who sign this agreement. To put it briefly, the granting of preferences within the commonwealth is recognized in this document, and there is nothing in the charter which requires the automatic removal of those preferences; they are recognized as an exception to the most favoured nation treatment rule.

The charter goes on to state that with respect to a wide range of matters, such as taxation and various regulations concerning trade, countries must give the same treatment to foreign goods as they give to their own. There is a detailed section which lists the various types of taxation and regulations which may affect foreign trade, imports and exports.

Hon. Mr. BALLANTYNE: They certainly will run into a lot of trouble there.

Mr. DEUTSCH: Yes, that will require a good many changes on the part of many countries' practices at the present time. There are a number of exceptions made. I do not wish to go into details now, because it will take us pretty far afield. The broad purpose of these provisions is to bring about uniformity of treatment.

The CHAIRMAN: Will you give a concrete illustration, or would you not care to do that?

Mr. DEUTSCH: Yes, I will give a concrete illustration. Take this case. Suppose a government decides to raise revenue by putting on an excise tax. Take any article you like: take X: the duty on that item having been bound under our trade agreement, Schedule V. If a tax is placed on item X, you could not single out imports only for that tax and say, "We will only tax imports, we will not tax anything else; we will not tax the domestically-produced item". That would be ruled out by this charter. You would have to tax both. And similarly, if you applied some type of regulation to the import you would have to apply the same type of regulation to the domestically-produced item. That is in general. There are a lot of peculiarities and legitimate exceptions where you want to make some distinction between the domestic article and the imported article. There are a number of exceptions, recognizing some legitimate cases. I do not want to go into that now. Discrimination between imports and domestically-produced goods provides a great field for applying regulations and taxes and subsidies in effect constitute an indirect series of barriers to international trade. The attempt here was, not to remove them entirely, but to minimize these indirect types of barriers to international trade.

The next general section of commercial policy, which is extremely important, has to do with provisions regarding the use of quantitative restrictions on trade. As you know, since at least the latter part of the 1920s and throughout the 1930s there was an enormous increase in the direct control of trade. Previously the principal device which affected trade was the tariff, and the height of tariffs indicated roughly the degree of restrictions that was placed upon imports. But

in the last fifteen or twenty years tariffs have played a declining part as devices for controlling trade, and governments in many places have intervened directly; they have laid down quotas for imports, or they have laid down prohibitions, or they have laid down all sorts of regulations. This series of devices we call quantitative restrictions on trade, to distinguish them from tariffs. Particularly in Europe, South America and other places the use of these quantitative restrictions was very, very extensive, and in some places trade was practically entirely controlled by the use of these quantitative devices. Tariffs were purely incidental in many cases. Now, it was felt that if this problem of barriers to world trade was to be really tackled effectively, you had to set down certain rules, and a code of conduct regarding the use of these quantitative restrictions. The charter has quite lengthy sections on the rights and obligations of members respecting the use of these quantitative restrictions. Broadly speaking, quantitative restrictions are ruled out. That is the general object of these provisions—to reduce and eliminate the use of these quantitative devices.

Hon. Mr. CRERAR: Just there. I understood from what Mr. McKinnon said that these quantitative restrictions and, perhaps, arbitrary valuations and a multitude of other devices which every country, including Canada, practised over the last twenty years are really ruled out in the agreements that are made.

Mr. DEUTSCH: Yes.

Hon. Mr. CRERAR: And the ruling out of them is not dependent on what may be done by Canada. Is that correct?

Mr. DEUTSCH: Yes. I was going into that later.

Hon. Mr. BALLANTYNE: May I interject a question there and be allowed to make a personal allusion? I have been the greater part of my life associated with large industries, and during the depression, under the Bennett regime, goods were coming in from Europe at such low valuations that it was causing ruination here. Therefore he passed the necessary legislation and changed the tariffs to raise them up and prevent those goods coming in here to the detriment of Canada. If this agreement should pass, are we free to do the same thing again?

Mr. DEUTSCH: No. We will not be free to do all these things, senator. But of course there are certain things we can do. You are still permitted to apply anti-dumping duties, for instance.

Hon. Mr. TURGEON: To apply what?

Mr. DEUTSCH: To apply anti-dumping duties. There are still remedies for what you may call abuses of that kind. You will, if you sign these documents, be prevented from using certain types of devices.

Hon. Mr. HAIG: How do you get over the question of Britain buying stuff in bulk through the government? They will not allow anybody else to get any exchange to buy it. Is that covered in this agreement?

Mr. DEUTSCH: Yes, I was going to come to that.

Hon. Mr. HAIG: The same with the United States. Is that to be stopped?

Mr. DEUTSCH: There is a section in the charter dealing with what is called state trading and the rules which are to be observed under state trading.

The CHAIRMAN: Under the charter?

Mr. DEUTSCH: Under the charter, which must be observed. I was going to come to that.

The CHAIRMAN: There is another question I wanted to ask. Is it still possible under the charter for any country to absolutely ban the product of another country?

Hon. Mr. HAIG: No, but, Mr. Chairman, the governments do the buying. Suppose I want to buy American goods. I cannot do so. The government will not give me exchange. The government can buy them. Is there any protection against such practices?

Mr. DEUTSCH: Well, nothing in the charter to prevent that.

Hon. Mr. HAIG: Governments can just "crack right ahead"?

Mr. DEUTSCH: Yes, there is no rule in the charter which prohibits state trading. If governments decide they are going to trade by state-trading methods they are at liberty to do so, but if they do, they must observe certain rules.

Hon. Mr. HAIG: If I am a large butcher in London and want to buy bacon from Canada I cannot buy it, because I cannot get exchange from London to buy it with?

Mr. DEUTSCH: That is right.

Hon. Mr. HAIG: That is not changed under the charter?

Mr. DEUTSCH: That is for the British Government to decide.

Hon. Mr. HAIG: They can just shut out anything they like?

Hon. Mr. ROBERTSON: That is one of the problems which arises.

The CHAIRMAN: Is it still possible under the clauses of the charter to absolutely ban the product of another country?

Mr. DEUTSCH: No, apart from certain exceptions which are laid down here and which I am going to explain. Perhaps I had better carry on with this and explain some of these exceptions. As I said before, the general rule is that quantitative restrictions are prohibited, but I shall go on to say quickly there are what have been called exceptions or escape clauses.

Hon. Mr. HAIG: It is full of them.

Mr. DEUTSCH: The most general exception to this rule about the prohibition of quantitative restrictions has to do with the protection of balance of payments. Countries who are in a difficult balance of payments position or whose reserve of exchange has been depleted and is running out, may protect themselves by controlling imports. Certain tests have been laid down in the charter and if these countries under certain conditions and circumstances meet these tests, they may use quantitative restrictions to control imports for the purpose of meeting their balance of payments difficulties. They may impose under this balance of payment exception, quantitative restrictions on imports.

The CHAIRMAN: Tariff and so on?

Mr. DEUTSCH: Not tariff.

Hon. Mr. HAIG: Very close to it.

Mr. DEUTSCH: The tariffs are bound in the agreement, at least in so far as you have decided to bind them. If you bind the tariffs in the agreement you cannot change them. However, even though you have bound tariffs, you may impose quantitative restrictions or even a prohibition in order to safeguard your balance of payment if you are in a balance of payment difficulty.

The CHAIRMAN: If an item is not bound can you then impose a tariff?

Mr. DEUTSCH: Yes.

Hon. Mr. CRRERAR: And the restrictions must be general in that regard.

Mr. DEUTSCH: Yes.

Hon. Mr. BALLANTYNE: You have coined a very good word in "quantitative." It reminds me of the old pool arrangements where certain people earned a certain total and you could not go beyond that. You do not call it that but you call it "quantitative."

Mr. DEUTSCH: That is the general phrase used.

HON. MR. BALLANTYNE: It sounds all right but you will have trouble galore.

MR. DEUTSCH: Countries are not permitted to use balance of payment exceptions unless they can demonstrate that their balance of payment is in such a bad way that they have to use them.

HON. MR. CÉRÉAR: To whom must that be demonstrated?

MR. DEUTSCH: To the organization. I shall go on to explain that this charter provides for the setting up of a body to administer this agreement. The body will have an executive board and a staff. A country must demonstrate to this executive board of the organization that its internal financial position is such that it cannot go on importing everything that is coming into the country.

HON. MR. HAIG: Then it will apply to all the world except the United States?

MR. DEUTSCH: In practice, sir, that is so. The United States will probably be the only country in the world that cannot use this balance of payment exception.

MR. MCKINNON: And therefore cannot impose embargoes or prohibitions.

THE CHAIRMAN: If an item is not bound what happens?

MR. DEUTSCH: Then you can do what you like with respect to the tariff. Now, I think for balance of payment reasons countries will use this quantitative control exception rather than tariffs for the control of their imports. That is in effect what is going on now. There are very few countries in the world today outside the United States that do not use quantitative restrictions for the purposes of protecting their balance payments.

HON. A. L. BEAUBIEN: Do I understand that this organization which is going to administer this charter has to give its approval before any country can employ a quantitative restriction?

MR. DEUTSCH: Not strictly speaking. A country may decide for itself that its balance of payment has gotten into such a situation that they must do something about it. They may go ahead and put on the restrictions on their imports without prior approval, but they must be prepared to consult with the organization immediately thereafter to see whether or not the conditions are such to justify the use of these restrictions.

THE CHAIRMAN: If they are not, what can be done about it?

MR. DEUTSCH: The organization can recommend to that country that they withdraw or modify their restrictions. If the organization recommends to a country that it withdraw or modify its restrictions, on the ground that the balance of payments is not such as to justify the use of these restrictions, they must do so.

HON. MR. HAIG: Supposing that country will not do that?

MR. DEUTSCH: Then the organization can empower other countries that are harmed by these restrictions to withdraw concessions from that country which has failed to carry out the recommendation of the organization. It can be seen then that there is a sanction.

HON. MR. HAIG: That does not seem very clear to me.

MR. DEUTSCH: Perhaps I had better clarify my statement by saying that I do not mean they can withdraw from the organization, but they may withdraw concessions they have made. In other words, suppose country A refuses to carry out the recommendation of the organization, and country B is harmed by what country A is doing, then the organization may allow country B to withdraw certain tariff concessions it has made to country A, but country A cannot withdraw its concessions from country B. This has all been left very flexible. In

other words, if the organization felt that a very serious sanction should be brought on country A, they might request various other countries to withdraw their concessions.

Hon. Mr. TURGEON: You have said they might request. Is there any authority for them to order?

Mr. DEUTSCH: To order the withdrawal of concessions?

Hon. Mr. TURGEON: Yes.

Mr. DEUTSCH: It is assumed that the countries which are harmed by the action of another country will be willing to carry out the sanctions on their own account. If they are not harmed there is not much damage done and nobody cares very much. The sanctions of this body are all indirect, in this sense, that they may permit other countries to withdraw concessions from the countries that are offending. That is the general principle of the sanctions of this whole organization. I may say that certain conditions have to be met before these exceptions can be used. In other words, a country must demonstrate that its balance of payments is in difficulties.

Hon. Mr. HAIG: Let me give you a hypothetical case. We are in difficulties with our American exchange, and our government will not permit the export to the United States of certain products that that country wants to buy. Could your body compel our country to allow our products to go to the United States?

Mr. DEUTSCH: No, senator, it could not compel.

Hon. Mr. HAIG: Could it apply sanctions in any way?

Mr. DEUTSCH: No, senator. I think I should explain this point. The charter goes on to say that a country should not be required to change its domestic policies, its internal social or economic policies. In other words, this organization cannot say to any country, "We think that your social and economic policies are wrong, and if you would change those policies, you would not be in trouble". It can say that to a country, of course, because it can discuss anything with a country, but it cannot compel any country to change its social and economic policies.

Hon. Mr. TURGEON: Has it any authority with respect to depreciation of currency?

Mr. DEUTSCH: No, sir.

Hon. Mr. TURGEON: Was that a subject of discussion in your consultation?

Mr. DEUTSCH: Yes. Naturally at times the effect of currency depression and so on came up for discussion, but this whole field of currency and exchange is covered by the International Monetary Fund, and rules are laid down in the International Monetary Fund Agreement concerning the maintenance of exchange rates and so forth. This body does not deal with that subject.

Hon. Mr. TURGEON: In your agreement you refer, do you not, to certain provisions of the International Monetary Fund?

Mr. DEUTSCH: Yes.

Hon. Mr. TURGEON: Making them more or less obligatory?

Mr. DEUTSCH: Yes. I might say it is recommended that all countries that are going to sign this agreement should also be members of the International Monetary Fund, and if they are not members of that fund they have to sign an agreement similar to the International Monetary Fund Agreement. The whole business of exchange depreciation is covered by the International Monetary Fund and therefore is not dealt with here.

May I deal further with the question that was asked before? This body cannot compel any member to change its social and economic policies. Of course, it can discuss these policies with any country, if it wants to; it can

perhaps make informal recommendations and perhaps even point out the consequences of the country's policies, but in the last analysis it cannot compel the country to change them. The argument there was that, after all, each country is sovereign, and if it wants to choose a particular form of economic organization that should be its business and nobody else's. Of course all countries are very jealous of that right. It is made clear throughout this charter that countries cannot be compelled to adopt any particular form of economic policy, and I do not think there would be any chance of getting agreement on an organization if the right of compulsion were to be insisted upon.

Hon. A. L. BEAUBIEN: You would not have got anywhere with this organization if that had been insisted on.

Mr. DEUTSCH: No, senator.

Hon. Mr. HAIG: What bothers me is that all these things give a way out to member nations.

The CHAIRMAN: Perhaps there will be a development into one world after a while.

Hon. Mr. HAIG: You are an optimist, Mr. Chairman.

The CHAIRMAN: I said "perhaps".

Hon. Mr. HAIG: With a capital P.

Mr. DEUTSCH: One of the objects of this thing was to try to work out rules and methods of behaviour whereby countries with differing forms of social and economic organization could co-operate, and co-operate in a way which would produce an expanding world trade. Of course a lot of compromises had to be made between these countries with differing forms of social and economic organizations and policy. The thought was, whether rightly or wrongly, that it would be better to find ways of working together, even though they are compromises, than to have no agreement at all. It was frequently pointed out at Geneva that the absence of any agreement represented the law of the jungle, and the question was whether you wanted the law of the jungle or some form of co-operation.

The CHAIRMAN: Better half a loaf than no bread.

Mr. DEUTSCH: That was the general thought. Whether the thing will work out remains to be seen; it depends a great deal of course on the attitude and the spirit with which the countries co-operate.

Then there are some obvious exceptions to this rule of quantitative restrictions, having to do with the usual type of things, like the protection of public morals, the protection of exhaustible natural resources, and so on. There is also a temporary exception to allow countries to liquidate their wartime controls, to give these countries a period of time in which to make adjustments.

The CHAIRMAN: Supposing the reason for imposing a quantitative restriction was inequality of exchange, must the restriction be withdrawn if the reason disappears?

Mr. DEUTSCH: You mean, Mr. Chairman, if the balance of payments improves?

The CHAIRMAN: Yes.

Mr. DEUTSCH: Then the restriction must be withdrawn.

I might pass on to the general rules on subsidies. Subsidies in general are not prohibited.

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. HOWARD: Did you say they were not prohibited?

Hon. Mr. HAIG: I thought he said they were not permitted.

Mr. DEUTSCH: Domestic subsidies are not prohibited, but export subsidies are prohibited, that is subsidies purely on exports. In other words, if a government decided to pay a subsidy on the production of, say, peanuts—

Hon. Mr. HAIG: Or on gold. Let us get nearer home.

Mr. DEUTSCH: That brings in another agreement, which I did not want to talk about here. Gold is dealt with by the International Monetary Fund and it is excepted from this document. That is the reason I did not think it was relevant here.

Hon. Mr. KINLEY: Take fish.

Mr. DEUTSCH: If the government desired to pay a subsidy on fish it could do so, provided it was both on fish that is consumed at home and fish that is exported. A subsidy on exported fish only would be prohibited.

Hon. Mr. KINLEY: Can a country countervail?

Mr. DEUTSCH: It can countervail, if it wishes, but under the charter export subsidies are not allowed. The reason for that is that export subsidies could become a form of trade competition and trade war, and of course in that type of competition the country with the longest purse gets the greatest advantage. It was felt that the subsidizing of exports was an unfair method of trade promotion. As I said before, subsidies may be applied to domestic production, or to both exports and imports, but you cannot single out exports alone and subsidize them. This rule does not go into effect for two years, that period being allowed for adjustment. A great many export subsidies are being paid at the present time, and it will take a little while for the governments of the countries concerned to adjust their respective programs.

Hon. Mr. TURGEON: Export subsidies are permitted for two years from the date of the agreement?

Mr. DEUTSCH: Yes, senator.

The next section on commercial policy has to do with state trading. As I said before, state trading is not prohibited in this charter. If a country decides to conduct its external trade by state trading methods, that is up to itself; and if a country decides to set up external trade monopolies, that is its own business. That touches upon a point that we discussed earlier, namely, the desire of each country to be unfettered in the determination of its own social and economic policy. If a country wishes to carry on its trade under government auspices, by state trading, state monopolies, that is something for domestic decision; but if it does so, it must observe certain rules. The charter provides that trade conducted by state trading organizations must be nondiscriminatory as between all the members of this organization.

Hon. Mr. HAIG: But Britain could buy bacon in Denmark, for instance, and that would not be discriminating against Canada, I presume? Is that so?

Mr. DEUTSCH: She cannot simply buy bacon from Denmark regardless of the prices and other conditions under which she can buy bacon from Canada or any other country. She must use commercial considerations in the purchase. Suppose, for example, that she can buy 100 million pounds of bacon from Denmark at 50 cents a pound for one year, and Canada offers to supply the same quantity at 40 cents a pound. Then if Britain persisted in buying from Denmark under those conditions she might be discriminating in favour of Denmark.

Hon. Mr. HAIG: Provided that the Canadian bacon was equal to the Danish bacon. Who decides that?

Hon. Mr. HOWARD: The fellow who eats it.

The CHAIRMAN: If Britain should happen to produce sufficient of a certain commodity at home she could, by refusing to buy from any other country, absolutely shut out the product of any other country. Take apples, for example.

I am told that Britain produces all the apples that she needs for her own purposes, and as a result she simply will not buy apples from Canada or any other country.

Mr. DEUTSCH: Yes, of course.

The CHAIRMAN: She could do that?

Mr. DEUTSCH: We have to take into account that the United Kingdom is now controlling imports for balance of payments purposes.

The CHAIRMAN: That is an escape?

Mr. DEUTSCH: That is an escape, in that instance. Because of her balance of payments difficulties she could decide not to buy apples.

Hon. Mr. HAIG: She has done so.

Mr. DEUTSCH: That is true, but it does not effect state trading.

Hon. Mr. KINLEY: Do you maintain that under this agreement one must buy on the cheapest market?

Mr. DEUTSCH: Yes.

Hon. Mr. KINLEY: For instance, if someone offers us a product at a lower price than another country we must buy from the cheaper country?

Mr. DEUTSCH: Yes, if you are employing state trading mechanism to do that.

Hon. Mr. KINLEY: But Canada does not employ state trading mechanism.

Mr. DEUTSCH: Taking into accounts tariffs and everything else, that is true.

Hon. Mr. McLEAN: That does not apply to private buyers?

Mr. DEUTSCH: No, it assumes that in the case of private buyers, acting purely on commercial considerations as they do, they would buy on the cheapest market. The charter goes on to say that if we substitute state trading devices for private buying, the state trader must act on the same considerations; he must buy on the cheapest market, taking into account the heights of the tariffs and so on.

Hon. Mr. HAIG: Let me put this proposition to you: Canada now sells wheat to Great Britain; Great Britain is now negotiating with Russia on certain things, one of which is said to be for a wheat agreement. If Russia charges \$2 a bushel for wheat, when Canada is selling at \$1.55, but Russia agrees to buy a quantity of British machinery if Britain buys her wheat, and Canada says that she does not want to buy British machinery, does the charter affect that situation?

Mr. DEUTSCH: Yes, it could, depending upon what the precise arrangements are.

Hon. Mr. HAIG: The arrangement is that Russia is charging \$2 a bushel for wheat while Canada is selling for \$1.55. Are we going to make Russia come down to \$1.55 or are we to ask that Britain stop trading with Russia?

Mr. DEUTSCH: I do not think that one can answer that question absolutely, because, in the first place, Russia is not in the agreement.

Hon. Mr. HAIG: What would happen if she were in the agreement?

Mr. McKINNON: The senator must also mean if Great Britain were not in balance of payments difficulties.

Hon. Mr. HAIG: Assuming that Great Britain was not in the balance of payments difficulties.

Mr. DEUTSCH: If the balance of payments difficulties were not prevailing, and assuming the two countries concerned were in the agreement, they would then be bound by these rules which would not permit them to discriminate in favour of the one country as against another. With respect to the wheat agree-

ment, it must be understood that it was agreed upon before this agreement at Geneva, and these considerations did not enter into it.

Hon. Mr. HAIG: I come from the west, and I know that is true.

Hon. Mr. KINLEY: Could you quote the rule?

Mr. DEUTSCH: Yes, the rule is on state trading.

Hon. Mr. TURGEON: At what page is it found?

Mr. DEUTSCH: I do not think it is in the agreement; I am talking about the charter now. I will read Article 30.

1. (a) Each Member undertakes that if it establishes or maintains a State enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment applied in this Charter to governmental measures affecting imports or exports by private traders.

In other words, the same rules that govern the trade by private traders must be applied in the case of governmental organizations; they must conduct their operations in an undiscriminatory manner. Article 30 further reads:

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including prices, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Members adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

Hon. Mr. KINLEY: That is pretty narrow; it is only for spite.

Mr. DEUTSCH: The next question is, could this be enforced? Here we are entering into an untried field.

The CHAIRMAN: It is experimental.

Mr. DEUTSCH: That is so, and it was frankly admitted at Geneva that we would have to have some experience, and the hope was expressed that a system of case law could be built up on the detailed application of the rules.

The CHAIRMAN: That takes time.

Mr. DEUTSCH: We are entering a field where it is admitted that we do not know everything we should know at this time. As I say, it is hoped that we can build up a system of case law based on experience, and any member who feels himself injured by the action of another member, can complain to the organization; the organization will investigate the situation and give the recommendations. If it is found that injury has been done or discrimination practised, the organization may enforce the rule.

Hon. Mr. KING: Senator Haig mentioned the fact that Russia was negotiating with Great Britain. Since Russia is not a party to this agreement, what is Great Britain's position in that respect?

Mr. DEUTSCH: The question of the relationship of one member with a non-member is a matter which was not completed at Geneva. That was one of the items which was sent over to the Havana conference. It was felt at the Geneva conference that there were not enough countries represented to properly deal with that question; the problem was so big that it was decided to have it settled at Havana.

The CHAIRMAN: Are there any other non-member countries, other than Russia, to be represented at Havana?

Mr. DEUTSCH: Spain.

Hon. Mr. HAIG: Is Poland represented there?

Mr. DEUTSCH: Poland is there.

Hon. Mr. HAIG: Did she sign?

Mr. DEUTSCH: No, she has not signed.

Hon. Mr. HAIG: What about Yugoslavia?

Mr. DEUTSCH: Yugoslavia is not there.

Hon. Mr. HAIG: Ukraina?

Mr. DEUTSCH: No.

Hon. Mr. HAIG: Bulgaria?

Mr. DEUTSCH: No. They are not there.

Hon. Mr. TURGEON: Was Poland at Geneva?

Mr. DEUTSCH: Poland was there as an observer but not as a participant.

Hon. Mr. TURGEON: Was she a participant at Havana?

Mr. DEUTSCH: She is a participant.

Hon. Mr. TURGEON: What about Czechoslovakia?

Mr. DEUTSCH: Czechoslovakia was a participant at Geneva and also will be at Havana. We do not know that all the countries that will be at Havana will sign the agreement; we do not know how many will eventually sign.

Hon. Mr. TURGEON: Did Czechoslovakia sign at Geneva?

Mr. DEUTSCH: She signed the final act at Geneva but did not sign the protocol of provisional application; in other words, she has not undertaken to bring this agreement into effect on January 1st.

Hon. Mr. McKEEN: If a member country makes an agreement with a non-member country on better terms than are indicated by the agreement under the most favoured nation clause, would that arrangement apply to all nations?

Mr. DEUTSCH: This matter has not been settled, Mr. Senator, but I think I can say with fair assurance that the rules which will be drawn up will not permit any member to make a more favourable deal with a non-member than she has made with a member. I believe that problem will be taken care of.

Hon. Mr. McKEEN: In other words if the agreement between England and Russia concerning wheat and lumber were on a more favourable basis than the wheat and lumber agreement with Canada, would Canada then be entitled to the same terms as Russia?

Mr. DEUTSCH: I may say that it is likely that if Canada feels she has been discriminated against, or has not had a fair opportunity to trade she would have the right to complain, and to have an examination of the deal made.

Hon. Mr. DAVIES: If a country was at Geneva, and not at Havana, it could still, if so desired, ask to be allowed to join the organization?

Mr. DEUTSCH: That is correct; the organization would then have to decide whether or not it wanted that member.

Hon. Mr. DAVIES: Would it have to decide that question?

Mr. DEUTSCH: Yes.

Hon. Mr. KINLEY: But it can still get the same concessions as the other countries, but has no backing?

Mr. DEUTSCH: That is correct.

Hon. Mr. KINLEY: What is the feeling in respect to a bilateral agreement between Canada and the United States? Might it not be a good thing for Can-

ada and the United States, who are both big customers, to make an agreement of their own? How would that affect the organization?

Mr. DEUTSCH: Any concessions they made to one another would have to be made to all members. That is the purport of this most favoured nation clause.

In addition to these sections on quantitative restrictions, subsidies and state trading, there was a lengthy section on general commercial provisions, which has to do largely with customs administration. Honourable senators will know that customs practices vary widely; some of them constitute a whole system of protection and exclusion, quite apart from any tariff.

Hon. Mr. HAIG: The word is "blockade".

Mr. DEUTSCH: Blockade. It was obvious that unless definite provisions were laid down regarding customs practices, it was not enough simply to bind tariffs or deal with quantitative restrictions. We had to deal with customs practices. The charter contains detailed provisions on practices which should be observed by the member countries in the administration of their customs. In general the purpose of these provisions is to remove the artificial barriers which are imposed by various methods of administering customs.

The CHAIRMAN: For instance, the arbitrary delays at border crossing points?

Mr. DEUTSCH: That is correct: arbitrary delays and arbitrary regulations, the requirement of excessive documentation, exorbitant fees being charged and that sort of thing. They are dealt with here and ruled out. Finally, there is provided a precise method of valuing goods for duty purposes. The method of valuation of course is very important, because in some cases the matter of valuation constitutes a major barrier itself. The charter prohibits the abuses that have been employed in connection with valuations. We hope that these provisions will result in a general improvement in customs administration and will facilitate the movement of goods.

The CHAIRMAN: Pretty much would depend upon the spirit in which the provisions are carried out?

Mr. DEUTSCH: To some extent, but the most important thing was to lay down precise provisions which member countries must observe.

Hon. Mr. TURGEON: Did any question arise concerning the difference between the standards of living in export and import countries?

Mr. DEUTSCH: No. There was discussion of that nature, Mr. Senator. This charter does not pretend to deal with that problem.

Hon. Mr. DAVIES: With regard to this matter of customs, was there any discussion as to how far customs officials can go at international borders in the matter of personal search of people who are crossing the border? I do not refer to their searches of automobiles. But how far can they go legally, in the matter of personal search of individuals? Can they order men or women to completely undress?

Mr. DEUTSCH: Well, senator, this charter specifically does not deal with persons. This charter deals with goods and services only.

Hon. Mr. DAVIES: It does not touch that point?

Mr. DEUTSCH: It does not touch questions of the movement of persons. So I am afraid I cannot answer your question. The charter does not deal with it.

Hon. Mr. PATERSON: May I ask the witness what machinery is contemplated to take care of the innumerable complaints that will come in during the first year? Naturally everything will not be perfected by the time this agreement goes into effect.

Mr. DEUTSCH: I might say that the charter also provides for the establishment of the machinery by which it is to be enforced and carried out. Quite rightly, it will require some time to develop this machinery.

The CHAIRMAN: Can the individual make a complaint?

Mr. DEUTSCH: He must do it through his government.

The CHAIRMAN: He has got to do it through his government?

Mr. DEUTSCH: Yes. In that connection, the General Agreement does set up an informal committee which will start functioning in March of this year and begin to deal with some of the problems which arise. In other words, they will begin to accumulate experience very shortly, and it is hoped that the experience gained by the few countries that have signed this General Agreement will help when they come to set up this larger organization.

To move on. The charter then has chapters on what is called restrictive business practices and intergovernmental commodity arrangements. The chapter on restrictive business practices deals with what are commonly called international cartels. It was argued by some that international cartels are a device for controlling international trade, and that in these cartel agreements which are made between private business organizations, sometimes matters are decided affecting the movement of goods and exports and imports and so forth.

Hon. Mr. McLEAN: I would say, very often.

Mr. DEUTSCH: Very often, probably, senator. And if that is the case, there ought to be some machinery set up for avoiding the harmful results of those practices, either forbidding them or controlling them or supervising them or something. What is the use of governments adopting rules for the conduct of external trade if private organizations can come along and make agreements which nullify those rules? So the argument was that you must have something in the charter dealing with this matter, otherwise you are just breaking the rules by the back door. The charter does contain a section in some detail about the sort of practices which will no longer be permitted if this charter comes into effect. It provides for examining and dealing with complaints that are made regarding the practices of international cartels. A country which feels that it is hurt by some particular cartel can come to the organization, make its complaint, and the organization then will investigate that complaint. If it finds that the complaint is justified then the countries in which the cartel is located must take action to stop those offences. That, very briefly, is the structure.

Hon. Mr. TURGEON: Is there a penalty if a country does not take action?

Mr. DEUTSCH: Yes, there is a general penalty clause which applies throughout this charter. If the organization asks a country to carry out a certain obligation, and it does not carry it out, then the organization may allow other members to withdraw concessions. That sanction applies throughout the whole charter.

Hon. A. L. BEAUBIEN: When will the Geneva agreement come into effect? After the conference in Havana?

Mr. DEUTSCH: May I leave that question for a minute? Then there is the other section, on intergovernmental commodity agreements. In the past we have had a number of international agreements on commodities like wheat, rubber, sugar, tin and so forth.

Hon. Mr. HAIG: Oils?

Mr. DEUTSCH: Oils, and some others. There is a long list of them. Now it is quite clear that in these agreements it is possible to do things which are harmful to other countries. I mean that certain countries which control the production of a certain item can get together and say, "Let us control the exports of this item, and we will put the price high, and we will make a good thing out of it". That would be harmful to a lot of other countries, and it would indeed nullify many of the purposes which this organization is designed to achieve. So it was felt that there must be certain rules laid down regarding the nature of these agreements. The rules are laid down in considerable detail here, the purpose

of the rules being to prevent abuses in the field of intergovernmental commodity agreements. It recognizes that in some circumstances such agreements may be desirable, and it specifies the type of circumstance in which these agreements might be desirable. The circumstances are rather narrow and confined; and in these circumstances, if an agreement is thought desirable, that agreement must be drawn up along certain lines; it must be drawn up in a certain way so as to prevent the abuses which might otherwise occur.

That, in general, covers the substance.

Hon. Mr. HAIG: Regarding that last matter: if this charter had been in force, and we had signed it, the British wheat agreement could not have been made?

Mr. DEUTSCH: No, I would not say that, senator.

Hon. Mr. HAIG: What would you say?

Mr. DEUTSCH: It depends on the nature of the agreement. I do not say that you cannot make an agreement. You can still make agreements. The agreement must meet certain requirements, however.

Hon. Mr. HAIG: Well, what agreement would the requirements be?

Mr. DEUTSCH: Well, that agreement would be an agreement under the state trading sections, probably, because it would be an agreement made by our Wheat Board with the British import organization, and that would be a state trading transaction. It would not come under this section.

Hon. Mr. HAIG: And at \$1.55, when the world's markets were higher than that, and if other nations wanted to buy, would they object?

Mr. DEUTSCH: They could object if they wanted to.

Hon. Mr. HAIG: It would come under this document.

Mr. DEUTSCH: It could come under the charter. It would come under the state trading section.

Hon. Mr. HAIG: And provisions could be invoked against Great Britain and Canada for making that kind of deal?

Mr. DEUTSCH: If the organization agreed that those complaints were justified. I cannot say whether they would, of course.

Hon. Mr. HAIG: And nobody else can!

Mr. DEUTSCH: But if the complaints were justified of course the organization could make recommendations.

Hon. Mr. LAMBERT: Would you define this as an intergovernmental commodity agreement?

Mr. DEUTSCH: No. This particular transaction which is referred to would be a transaction under the state-trading section of this charter. The kind of intergovernmental commodity agreement referred to here is one which would have in it, say, fifteen or twenty countries. Take the case of rubber, on which there have been agreements in the past. The countries producing rubber are about four or five. Say that these countries and a number of the countries which consume rubber got together and drew up an agreement, and that they got together because there was some difficulty in the rubber business. Say the price was too low or there were surplus stocks, or something was wrong, and they got together and agreed to remedy this difficulty. They might agree to all sorts of things. They might say, "We will agree to sell at certain prices only, and all exporters agree that they will not sell at a price different from a certain fixed price." The importers might agree to accept that price, and they would lay down all the conditions necessary. They might agree to the control of exports.

Hon. Mr. LAMBERT: It assumes a group?

Mr. DEUTSCH: Yes. That is what is meant by an intergovernmental agreement.

Hon. Mr. LAMBERT: But the wheat agreement is merely a form of bilateral treaty, is it not?

Mr. DEUTSCH: An agreement simply for the purchase and sale of a commodity between two parties is not an intergovernmental commodity agreement within this section.

Hon. Mr. CRERAR: Well, let us explore the wheat agreement a little. Under the charter it would be possible for Canada to make a wheat agreement with Britain and, say, sell at \$1.55 and refuse a similar agreement to France?

Mr. DEUTSCH: Well, if France were prepared to meet all the conditions which the British were prepared to meet then the French could say, "Well, we are prepared to give the same terms, exactly the same terms with respect to price, amount, and the number of years of the contract"—if the French were prepared to make such an offer it would have to be considered.

Hon. Mr. CRERAR: Well, it might not be for the same amount, but it might be at the same price.

Mr. DEUTSCH: Yes.

Hon. Mr. CRERAR: I mean, it would not be so rigidly done that if you sold Britain a hundred million bushels at \$1.55 you could refuse France unless France were prepared to buy one hundred million bushels.

Mr. DEUTSCH: Let me put it this way: if the French were prepared to offer equivalent terms then they would have to be given the same opportunity as the British.

Hon. Mr. CRERAR: But that would not apply to the quantity?

Mr. DEUTSCH: Well, the quantity is a consideration. You see, if, I say, the French came along—I am just using this as an example, it is not designed to be a concrete case—and said, "We want to buy for X cents ten million bushels of wheat for two years," and the X cents is the same as appears in the British contract, and the British are prepared to buy one hundred and fifty million bushels for four years, the terms are not the same. That would be a commercial consideration; that would be something which any private trader would consider. In other words, a private trader might be prepared to meet certain price conditions for a certain quantity for a certain period which he would not be prepared to meet for a smaller quantity for a shorter period.

The CHAIRMAN: They could easily evade that by saying, "We will take the same quantity and will sell the surplus," the same as Britain has done.

Hon. Mr. HAIG: They would. They would sign quickly.

Mr. DEUTSCH: If they were prepared to offer the same terms, under this charter they would have to be given the same opportunity.

Hon. Mr. HAIG: That is what I understood.

Hon. Mr. HAYDEN: That must be predicated on the seller having enough wheat to meet all these agreements.

Mr. DEUTSCH: Oh, yes.

Hon. Mr. HAYDEN: You can always defeat that by contracting for the entire supply to one country.

Mr. DEUTSCH: Yes, but that would be a matter which other countries could ask the organization to consider.

Hon. Mr. HAYDEN: You mean, to break up the quantities you are contracting to sell?

Mr. DEUTSCH: I could not say beforehand how the organization would deal with such a case.

Hon. Mr. HAYDEN: There would be nothing left to sell, because there could not be any problem if you agreed to sell everything to one country.

Mr. DEUTSCH: Well, that is precisely one of the factors which would have to be considered. In other words, if other countries are prepared to make the same offer on exactly the same terms they must be given the same opportunity. If they are not the country has the right to complain to the organization.

Hon. Mr. TURGEON: Would that apply then to private trading? Supposing the wheat vendors of Canada were private traders instead of the state, could this proposed organization say that the private traders of Canada could not sell all their wheat to Liverpool, they must sell it to France, and so forth, in equal quantities?

Mr. DEUTSCH: No, I don't think so, senator.

Hon. Mr. TURGEON: I do not think so. I just wanted to see what you would say.

Mr. DEUTSCH: It is assumed that the private traders will act on commercial considerations.

Hon. Mr. HAIG: When the first section was discussed it was mentioned that the charter provides provisions for helping to prevent a depression. What were those provisions?

Mr. DEUTSCH: I probably did not make myself clear on that point. This would not necessarily help to prevent a depression. It simply provides for consultation between countries in order that they might explore what action they could take together.

Hon. Mr. HAIG: There is no formula.

Mr. DEUTSCH: No, it does not pretend to provide the answer of how a depression can be avoided.

Hon. Mr. HAIG: You have suggested that backward countries—not using the term in a derogatory sense—wanting to industrialize themselves could do so and so. What formula was to be used in doing that? How did they get around that? Let me help you a little. Put your mind back to 1878.

The CHAIRMAN: That is a long time ago.

Hon. Mr. HAIG: At that time we were a backward country and we put on tariffs against all the world and have kept them on ever since. What is the formula for these backward countries of today? We were a backward country then, and I would like to know what formula would be used to help these countries now.

Mr. DEUTSCH: In the first place a country was not obliged to bind any particular tariff. It could decide for itself which tariffs it would not bind, or if a country had in mind that it wanted to protect a certain series of industries by tariffs, it could simply refuse to bind those tariffs. So, in the future a country can raise the tariffs on those items it has not bound. That is one thing. However, I might explain also that a lot of these relatively undeveloped countries felt that the tariff was not an effective way of giving protection. They felt that whatever use other countries, such as the United States or the United Kingdom or Canada may have made of tariffs, for their particular position the tariffs were not adequate. That is the big complaint they had. They said, "It is true, you say to us we did not need to bind our tariffs, and if we don't bind them we can use them. But that is not good enough". That is the answer they gave.

Hon. Mr. HAIG: Why?

Mr. DEUTSCH: Because they felt that putting on high tariffs, particularly in the case of a small country with a small population, would simply raise the prices to a very high level which would be very bad for their consumers, and even though they did raise those prices to a high level it might still not be suffi-

cient to start an industry. So what they wanted was a power to put on quantitative controls so that in the case of a certain industry they would either prohibit the import entirely or would put them under a strict quota, and under those circumstances there would then be the assurance necessary to the local producers to establish an industry. That is the power they wanted to have.

Hon. Mr. HAIG: Was that given to them?

Mr. DEUTSCH: It was given to them in this way: If they wanted to do that they had to go to the organization and say, "We have a program for establishing such and such an industry. We feel that tariffs are unsuitable or inadequate for our purposes. We feel that if we are going to establish this industry we must have the power to control imports". Then they have to explain why. If they can convince the organization that their cause is a good one, then the organization may give them the right to put on such quantitative restrictions. In other words, they have got to obtain prior approval from the organization.

Hon. Mr. HAIG: If they belong to it.

Mr. DEUTSCH: Yes. Another important point in the discussion was whether or not they should be required to obtain prior approval. A lot of these countries felt they should have the right to go ahead and put on these quantitative restrictions without prior approval and other countries felt they could not be permitted to do so.

The CHAIRMAN: That could be done even though conditions of exchange control did not exist.

Mr. DEUTSCH: That is right. This is entirely a question of development of industry, and the big issue was whether or not they should be allowed to use these quantitative controls for the purpose of establishing an industry with or without prior approval, and the charter now requires that there has to be prior approval.

Hon. Mr. HAYDEN: They can always put it on the basis of preserving their foreign exchange.

Mr. DEUTSCH: In the case of foreign exchange they must meet the necessary conditions, and if they use the exchange exception in such a way as to provide protection primarily, then I think it would be open to complaints from others.

Hon. Mr. HAYDEN: If they use the exchange for basis of prohibiting or establishing quantitative controls, and they establish industry in the country, they are using the development of industry as secondary to the primary objective.

Mr. DEUTSCH: That is right.

Hon. Mr. HAYDEN: They can do that without any reference to the executive?

Mr. DEUTSCH: Yes, but if other countries felt that the exchange controls were being used as a cloak for protection, those countries would have a right of complaint, and the organization would investigate to see if that was the case.

Hon. Mr. LAMBERT: You have emphasized the great importance of valuation. Does not that really boil down to the matter of exchange control? Suppose we devalue the currency in any one country, would not that then be interfering very drastically with these trade treaties?

Mr. DEUTSCH: The rights of a country to change the exchange rate must be cleared in accordance with obligations to the international monetary fund.

Hon. Mr. HAIG: I understand they can change their ten per cent without consent?

Mr. DEUTSCH: Yes, and beyond that amount they must have consent. That issue is covered elsewhere and is not dealt with here.

Mr. MCKINNON: It is only dealt with by cross reference.

Mr. DEUTSCH: I think I have covered the main substance of the charter. There are a lot of detailed sections here on the nature of the organization that

is to be established. These sections of the charter will be discussed in great detail in Havana, and I do not know whether it would be worthwhile going into them now.

Hon. Mr. HAIG: No, I do not think so because they may be changed at Havana.

Hon. Mr. McLEAN: What would you say as to the future of the old empire tariffs, as we called them, between the Commonwealth of Nations? Would their operations be altered in a major or minor way; that is, the preferences?

Mr. DEUTSCH: Well, the first round is already over, that is, the negotiations at Geneva where members having preferences undertook to negotiate for their reduction or their elimination. The results of the Geneva negotiations are now known in regard to preferences. I think Mr. McKinnon will agree that the preferential system has only been modified.

Hon. Mr. McLEAN: In a major way?

Mr. DEUTSCH: Not in a major way. I think it is correct to say seventy per cent of the preferential structure remains, and perhaps a little more than that.

Hon. Mr. KINLEY: Over-all?

Mr. DEUTSCH: Yes.

Hon. Mr. LAMBERT: In a very liquid form?

Mr. DEUTSCH: If any further negotiations are conducted in the future they may be modified further. Of course no country needs to modify the preferences unless it is satisfied that it gets adequate compensation for that. There is no obligation on any member to make any unilateral modification.

Hon. Mr. McLEAN: Well, we had preferences with, say, New Zealand and South Africa, and other nations will now practically just sit around the empire table and receive substantial preferences from those markets that we built up since 1933. Take, for instance, Norway in the fish business. Will they be allowed, without our consent, to enter the markets of South Africa and New Zealand on practically the same basis as we in Canada?

Mr. DEUTSCH: That depends entirely on what we have agreed to.

Hon. Mr. HAIG: Mr. McKinnon is the man to answer that question.

Mr. McKINNON: Senator McLean, that question would have to be answered in respect to each particular item that would be brought up. If it is a certain kind of fish in which Canada has had a preference of threepence a pound in New Zealand over Norway, and now if as a result of these negotiations that preference that we enjoyed has been reduced to twopence a pound in return for something we got, then to that extent, answering your question, Norway would get into the New Zealand market on better terms than she did before, but not on our preferential terms because we still maintain a residuum of the preference, and in some cases, we retain a very large percentage of the preference.

Hon. Mr. McLEAN: I have one other question that I should like to ask. Under these Geneva agreements, if we bar certain goods from the United States where we have to pay in dollars, are we obliged to put an embargo on the same kind of goods from the West Indies where we pay in pounds?

Mr. DEUTSCH: No, not at the present time. The charter, in general, provides against discrimination. In other words, the whole purpose of these provisions is to reduce discrimination in the world in general.

Hon. Mr. McLEAN: I understood that we started out to do that, but it may have been altered since. With regard to the importation of certain vegetables from the West Indies it seems that we are just getting in a vicious circle because the West Indies are as short of Canadian dollars as we are of American dollars.

Mr. DEUTSCH: The general purpose of this charter is to prevent discrimination. It was recognized, with the world as it is today, that for the next three or four years a lot of things may have to be done which are discriminatory, and for that reason the General Agreement provides that under certain circumstances you may discriminate. Indeed, for the year 1948 there is a clause in the agreement that says that all the rules in the balance of payments sections having to do with discrimination are not in effect. So, for the immediate future, if we are using balance of payment restrictions, we can discriminate.

The CHAIRMAN: Would we give up our preferences entirely in some circumstances?

Mr. DEUTSCH: In some instances, yes. At the moment, senator, if we wanted to prohibit something coming from the United States and to allow it in from the West Indies, as far as this agreement is concerned, we could do that.

Hon. Mr. McLEAN: I think that is sensible. I think some of our administrators have run off the track.

Hon. Mr. HAIG: With regard to tomatoes coming in from Barbadoes, that country does not want United States currency. They want Canadian currency.

Mr. DEUTSCH: That is so now.

Hon. Mr. HAIG: Not originally.

Mr. DEUTSCH: Not originally, but since then that has been changed. That does not break this agreement.

Hon. Mr. HAIG: Either way, that does not break the agreement.

Mr. DEUTSCH: No.

Hon. A. L. BEAUBIEN: When does the agreement come into force; after the Havana conference?

Mr. DEUTSCH: I might explain that, senator. The charter itself is not in effect as such. At Geneva it was decided that if we are going to bring these tariff agreements into effect it is necessary to take certain portions of this charter and put them into the tariff agreement. And that is what has been done. The parts of the charter that were put into the tariff agreements are in this document which is called the General Agreement on Tariffs and Trade. This General Agreement contains the general commercial policy provisions. It does not contain the chapter on employment, or the chapter on cartels, or the chapter on inter-governmental commodity agreements. But practically the whole of the remainder of the charter is in this General Agreement. It was felt that those sections were necessary to protect the tariff concessions. It was agreed by eight countries at Geneva that they would bring this General Agreement and the tariffs into effect on January 1. So far as the tariffs are concerned, they are to be made effective on January 1; and so far as the provisions of the General Agreement are concerned, the government undertakes to bring them into effect, in so far as it has legislative power to do so.

Hon. A. L. BEAUBIEN: In other words, most parts of the Geneva Agreement are included in those trade agreements between the eight countries?

Mr. DEUTSCH: Yes. In other words, what we commonly refer to as the Geneva Agreement, this General Agreement on Tariffs and Trade, contains large parts of the charter which were thought to be necessary to protect the tariff concessions, and those provisions are to be brought into effect on January 1, regardless of what happens at Havana. The tariffs are to be brought into effect on January 1, and the provisions of the General Agreement are to be brought into effect by the government, in so far as they have legislative power to do so.

Hon. Mr. KINLEY: By the signing nations?

Mr. DEUTSCH: Yes, by the United States, the United Kingdom, Canada, Holland, Belgium, Australia, Luxembourg and France.

Hon. Mr. KINLEY: Is Newfoundland included?

Mr. DEUTSCH: Yes, by virtue of the signature of the United Kingdom.

Hon. Mr. KINLEY: The United Kingdom signed on behalf of Newfoundland and the West Indies?

Mr. DEUTSCH: Yes.

Hon. Mr. McLEAN: What about the value of the dollar?

Mr. DEUTSCH: That is left to the International Monetary Fund.

Hon. Mr. LAMBERT: Does the International Organization propose to check on the carrying out of the rules relating to nondiscrimination?

Mr. DEUTSCH: Yes.

Hon. Mr. LAMBERT: That might become quite a job. Supposing that one member nation felt it had been discriminated against by two others, how would that be dealt with?

Mr. DEUTSCH: If some member felt that a provision of the agreement had been broken by two other nations, or that it had been hurt by what they had done, that member could complain about the action of the other two.

Hon. Mr. LAMBERT: That might take some time.

Mr. DEUTSCH: Yes. It depends upon how quickly the organization works. That is one of the unknowns.

Hon. Mr. WHITE: In the event of a country which is a party to the agreement violating any of the provisions of the charter; is there any provision whereby disciplinary action can be taken?

Mr. DEUTSCH: Yes. If a country violates a provision of the charter, any other member may bring that to the attention of the organization and make a complaint. The organization will then examine the situation and report upon it. If the organization finds that a provision has been broken, it presumably will recommend that the offending member should desist, and if the offending member does not carry out the recommendation the organization may then permit other members to withdraw concessions from that member.

Hon. Mr. WHITE: In the case of a flagrant violation is there any way whereby the guilty country could be expelled from the organization?

Mr. DEUTSCH: That is an unsettled question at the moment. One of the matters coming up at Havana is just what procedure, if any, should be adopted for expelling a country. The present procedure is this: the organization may apply sanctions by permitting certain members to withdraw concessions from the offending member, and if the offending member does not like that—in other words, if it feels aggrieved by the withdrawal of the concessions,—it may get out of the organization.

Hon. Mr. KING: That is, conditions may be made hard enough so that the offending member would itself decide to get out?

Mr. DEUTSCH: Yes, so that it would not be necessary to expel the member. That may be changed at Havana.

Hon. A. L. BEAUBIEN: Are there more nations represented at the Havana conference than there were at Geneva?

Mr. DEUTSCH: Yes, senator. The Geneva organization was purely a preparatory committee for the world conference. At Geneva there were twenty-three countries, including the British Commonwealth countries such as Ceylon, Burma, and so on. At Havana there are about fifty countries.

Mr. McKINNON: There are nearly three times as many countries represented at Havana as there were at Geneva.

Hon. A. L. BEAUBIEN: I suppose the provisions of the charter can be amended?

Mr. DEUTSCH: The amending of provisions of the charter is on the agenda of the Havana conference. If the conference amends any provisions, that would not automatically change the Geneva agreement, senator, for the countries which signed at Geneva would decide whether or not to accept any or all of the amendments. If any amendments were accepted by them, the Geneva agreement would be altered accordingly.

Hon. Mr. KINLEY: Only eight of the countries represented at Geneva signed this trade agreement?

Mr. DEUTSCH: They signed it for the purpose of bringing it into effect on January 1, but any other of the twenty-three nations may adhere to it at any time that they wish.

Hon. Mr. KINLEY: What is their position in the meantime, they having signed the charter but not the trade agreement?

Mr. DEUTSCH: Nobody has signed the charter, sir. All twenty-three signed this agreement technically, but the mere signing of the agreement does not obligate them to bring it into effect immediately; they can take some time to decide whether or not they will bring it into effect.

Hon. Mr. KINLEY: But they want to trade in the meantime.

Mr. DEUTSCH: They will carry on under their old arrangements. Eight of the countries agreed to sign another document, called a protocol of provisional application of the General Agreement on Tariffs and Trade, which means that they are prepared to bring this into effect on January 1.

The CHAIRMAN: Could that be done legally without legislative action?

Mr. DEUTSCH: Yes, by those eight countries, because they have power to bring the tariffs into effect. And they agreed to bring into effect the text of parts of the charter in so far as they had legislative power to do so, that is all.

The CHAIRMAN: What authority has the government of Canada to bring this into effect without authority of parliament?

Mr. McKINNON: Under section 11 of the Customs Tariff the Governor in Council may make concessions to other countries in return for concessions that they are making to Canada.

The CHAIRMAN: But he may not increase the tariff?

Mr. McKINNON: No, he cannot raise the rate of duty, but he can make reductions in the rate for other countries and bring them into effect by order-in-council, to be ratified later by parliament.

Hon. J. A. McDONALD (*King's*): Mr. Chairman, I have some questions to ask Mr. McKinnon about the British preferences. It seems that some answers have been given from what has been said today. I was wondering whether one of the gentlemen would like to give some information with respect to the elimination of British preferences, particularly as they apply to apples.

The CHAIRMAN: Might we postpone that subject until tomorrow?

Mr. McKINNON: Before we proceed to Senator McDonald's question, whether it be today or tomorrow, may I follow up Senator Kinley's comments? It should be made clear that although 23 nations were represented at Geneva and signed the agreement, only eight, as Mr. Deutsch has said, are bringing the program into effect on the 1st of January. It should be pointed out that with respect to some of the countries, the difficulty was not that they did not choose to bring the program into effect, but that their constitutional practice did not permit them to do so. In the cases of United States and Great Britain, they could do it, whereas certain other countries had to wait until parliament convened because they had no executive authority.

HON. MR. LAMBERT: There are, I believe, 17 trade treaties embodied in the agreement?

MR. MCKINNON: There are 20 completed schedules.

HON. MR. LAMBERT: But 17 of those treaties are to be put in operation after January 1.

MR. DEUTSCH: Only eight are subject to operation after that particular date.

MR. MCKINNON: We may find that on January 3, the number may have increased by reason of the parliament having met in some country.

THE CHAIRMAN: Gentlemen, I think it is time to adjourn, but before doing so may I voice the feeling of the committee in an expression of appreciation to Mr. Deutsch for his very clear, informative and comprehensive explanations.

We will adjourn now to meet again tomorrow morning at 10.30.

The Committee adjourned at one o'clock to meet again tomorrow, December 17, at 10.30 a.m.